



Claire Dornan  
Downham Market Town Council  
Town Hall  
6 Market Place  
Downham Market  
Norfolk  
PE38 9DE

9<sup>th</sup> January 2025

Dear Claire

**Re: Downham Market Town Council  
Internal audit for year ending 31<sup>st</sup> March 2025 – Interim Audit report**

***Executive summary***

Following completion of my visit to Downham Market on 11<sup>th</sup> December 2024 plus additional checking of website and documents, I enclose my interim audit report for your attention and presentation to the Council. The audit was conducted in accordance with current practices and guidelines. Whilst I have not tested all transactions, my samples have where appropriate covered the entire year to date.

My report is presented in the same order as the assertions on the internal auditor report within the published AGAR. The start of each section details the nature of the assertion to be verified. The report concludes with an opinion as to whether each assertion has been met or not at the interim audit. Where appropriate, recommendations for action are shown in bold text and are summarised in the table at the end of the report.

My sample testing did not uncover any errors or misstatements that require reporting to the external auditor at this time; however I did identify significant weaknesses in the internal controls such that public money could be put at risk. These were conveyed instantly to the Town Clerk who gave assurances that they would be corrected immediately.

### ***Regulation***

The Accounts and Audit Regulations 2015 require smaller authorities, each financial year, to conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts. In addition to this, a smaller authority is required by Regulation 5(1) of the Accounts and Audit Regulations 2015 to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Internal auditing is an independent, objective assurance activity designed to improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of internal audit is to review and report to the authority on whether its systems of financial and other internal controls over its activities and operating procedures are effective.

The function of the internal audit is to test and report to the authority on whether its specific system of internal control is adequate and working satisfactorily. The internal audit reports should therefore be made available to all members of Downham Market Town Council to support and inform them when they are considering the authority’s approval of the annual governance statement.

### ***Independence and competence***

Your audit was conducted by J. Miller through the Norfolk Association of Local Councils (Norfolk ALC). We confirm we are independent from the management of the financial controls and procedures of the Council and neither the internal auditor nor the Association have any conflicts of interest with the audit client, nor do they provide any management or financial assistance to the client.

Your auditor is CiLCA-qualified and a chartered management accountant.

### ***Planning and inherent risk assessment***

My work will address each of the internal control objectives as stated on the Annual Internal Audit Report of the AGAR. As part of the inherent risk assessment, I have concluded that:

- There have been no reported instances of serious breaches of regulations in the past
- The client uses an industry approved financial reporting package
- The client regularly carries out reconciliations and documents these
- There is regular reporting to Council
- The management team are experienced and informed
- Records are neatly maintained and referenced

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- The client is aware of current regulations and practices
- There has been no instance of high staff turnover

It is my opinion that the inherent risk of error or misstatement is low. Testing to be carried out will be “walk through testing” on sample data to encompass the period of the Council year under review.

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|   |  | Tested |
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| A | Appropriate accounting records have been kept      | Y      |
| B | Financial regulations, governance and payments     | Y      |
| C | Risk management and insurance                      | Y      |
| D | Budget, precept and reserves                       | Y      |
| E | Income   | Y      |
| F | Petty cash   | Y      |
| G | Payroll  | Y      |
| H | Assets and investments                             | Y      |
| I | Bank and cash                                      | Y      |
| J | Year-end accounts                                  | Y      |
| K | Limited assurance review                           | N/A    |
| L | Transparency                                       | Y      |
| M | Exercise of public rights – inspection of accounts | Y      |
| N | Publication requirements for previous year         | Y      |
| O | Trust funds  | Y      |

*This report has been prepared for the sole use of Downham Market Town Council. To the fullest extent permitted by law, no responsibility or liability is accepted by Norfolk Association of Local Councils to any third party who purports to use or rely on, for any reason whatsoever, this report, its content or conclusions.*

## A. APPROPRIATE ACCOUNTING RECORDS HAVE BEEN KEPT

### Internal audit requirement

Appropriate accounting records have been properly kept throughout the financial year.

### Audit findings

The interim audit was conducted on site with the Clerk, who also acts as the Council's Responsible Financial Officer (RFO), plus the Administrator. The staff listed had prepared some of the information advised in advance of the visit, and I have the impression that accounting records are neatly maintained and easily accessible. Other information was reviewed through discussion with the Clerk and the Administrator and a review of the Council website ([www.downhammarkettowncouncil.org.uk](http://www.downhammarkettowncouncil.org.uk)).

The Council uses Scribe accounting software for recording the day-to-day financial transactions of the Council. This is an industry specific package and we make no recommendation to change. The system is used regularly to record transactions and produce management information reports for review at Council and committee meetings.

Agendas, reports and minutes for meetings are clear and concise, and in general decisions are clearly recorded. There is evidence of sufficient information being provided to councillors to allow them to make informed financial decisions.

## B. FINANCIAL REGULATIONS, GOVERNANCE AND PAYMENTS

### Internal audit requirement

This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.

### Audit findings

*Check the publication and minuting of the prior year audited AGAR and notice of conclusion of audit.*

The external auditor's report for 2023-24 states, in the section Other matters not affecting our opinion which we draw to the attention of the authority that "The smaller authority has confirmed that it has not complied with the governance Assertions in Section 1, Boxes 2 and 9, but it has provided the appointed auditor with adequate explanations for non-compliance and details of the actions necessary to address weaknesses identified. However, apart from this, there were no other issues. The external auditor's report was presented to full Council at the meeting on 5th November 2024.

I note that internal audit reports are also published on the Council website.

*Confirm by sample testing that councillors sign statutory office forms*

I confirmed by sample testing that councillors sign "Acceptance of Office" forms. The Council website provides details of councillors and includes a link to the Kings Lynn and West Norfolk Borough Council website page with each of their Register of Interests Forms.

*Confirm that the council is compliant with the relevant transparency code*

As the Council's income and expenditure exceeds £25,000, it is not a statutory requirement to follow the requirements of the Local Government Transparency Code, although it is recommended best practice to do so

*Confirm that the council is compliant with GDPR*

Councillor e-mail addresses on the Downham Market TC website are all official TC e-mail addresses.

The Council has a Privacy Notice on the home page of its website and there is a website accessibility policy on the website.

*Confirm that the council meets regularly throughout the year.*

In addition to full Council, the Council has a committee structure to deal with business. A future meeting diary is available on the Council website, along with historic minutes. I recommend that agendas for meetings are kept on the website after meetings.

*Check that agendas for meetings are published giving 3 clear days' notice.*

I was able to test that at least 3 clear days' notice is given on agendas. Whilst we have not tested every single committee and Council meeting there was no evidence of non-compliance in giving three clear days' notice of the meeting. I note that reports are published for meetings containing supporting non-confidential background information on agenda items. This conforms with the requirements of the Information Commissioner's Office (ICO).

*Check the draft minutes of the last meeting(s) are on the Council's website.*

Draft minutes are uploaded to the Council website and clearly marked as unconfirmed until adoption at the next meeting.

*Confirm that the Parish Council's Standing Orders have been reviewed within the last 12 months.*

The Standing Orders based on the current NALC model are on the agenda of the January 2025 meeting to be reviewed and adopted. This will be reviewed at the final internal audit for the year.

*Confirm that the Parish Council has adopted and recently reviewed Financial Regulations.*

The Financial Regulations based on the current NALC model are on the agenda of the January 2025 meeting to be reviewed and adopted. This will be reviewed at the final internal audit for the year.

Current Financial Regulations which are on the Downham Market TC website are based on the current NALC model and were last reviewed and adopted by Council in June 2023. The regulations contain provisions for the approval of spending, setting of budgets, reconciliation of the bank and reporting to Council. The following thresholds refer to the 2023 Financial Regulations.

*Check that the council's Financial Regulations are being routinely followed.*

The Council has thresholds in place at which authorisations to spend must be obtained as below:

FR 4.1 Expenditure on revenue items may be authorised up to the amounts included for that class of expenditure in the approved budget. The authority to amend an approved budget is to be determined by

- the Council for all items over £5,000.
- the Clerk, in conjunction with three councillors, for items between £500 and £5000
- the Clerk for authorised expenditure up to £500

Such authority is evidenced by a purchase order signed by the Clerk and where necessary also by the appropriate Councillors.

Contracts may not be disaggregated to avoid controls imposed by these regulations.

Based on the level of financial activity of the Council, these authorisation thresholds appear reasonable.

FR 6.4 Cheques or orders for payment drawn on the bank account in accordance with the schedule as presented to council or committee shall be signed by two authorised members of council, and countersigned by an Officer, in accordance with a resolution instructing that payment.

**The method for payments is wholly unsatisfactory and must include councillors. The procedure required is one where, once payments are agreed, they can be inputted by staff and then two councillors will each need to authorise those payments individually and independently.**

I tested a random sample of forty six invoices with a total value of £61,690.96 including VAT. All of these were found to have been approved at full council meetings and recorded in the minutes. However, DMTC have not been getting invoices or payments lists initialled and dated for approval by the chair of the meeting. **The Council needs to be more explicit in showing that the invoices and payments have been approved by full council by showing that these invoices and payments have been seen at the meeting for approval and shown to be approved at the meeting by the chair initialling or signing and dating either each invoice or, more realistically given DMTC's volume of payments, by initialling or signing and dating a list of payments.** Councillors should be sent a payments list at least three days before any meeting at which payments are to be approved.

I reviewed the nominal ledger report for the current financial year. In general, sufficient narrative is provided for entries to adequately identify their source, and amounts appear to have been allocated to the correct nominal codes. Sometimes a bit more narrative would be useful. There is no evidence of deliberately 'netting-off' of income against expenditure, and the information reviewed points to a satisfactory system. However, I did find at least one instance of a refund being issued by DMTC to a customer being included as a payment by the Council. This should not be posted as a payment but rather as a credit or discount on the receipts side. DMTC were immediately advised how to post such occurrences.

*Confirm all section 137 expenditure meets the guidelines and does not exceed the annual per elector limit of £10.81 per elector.*

The Council has General Power of Competence.

*Check receipt of VAT refund matches last submitted VAT return.*

The Council submits its VAT return on a quarterly basis. The most recent submission when visiting DMTC was for the period 1<sup>st</sup> July to 30<sup>th</sup> September 2024 inclusive and showed a refund amount due of £3,529.83. The refund entered the DMTC bank account on 9<sup>th</sup> October 2024.

*Confirm that checks of the accounts are made by a councillor.*

Whilst I see evidence of a review of financial performance against budget for the third quarter at the November 2024 meeting, **the verification by a member could be made more explicit in the minutes.**

## C. RISK MANAGEMENT AND INSURANCE

*Internal audit requirement.*

This authority assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.

*Audit findings.*

The Council has an adopted Risk register in place but this was out of date. I was informed, and shown, that DMTC was currently working on a new risk register and will test this again at the final internal audit.

I confirmed that the Council has a valid insurance policy in place with Aviva which was renewed on 7<sup>th</sup> July 2024. The policy includes Public Liability cover of £10 million and Employers Liability cover of £10 million. I was unable to find fidelity cover.

## D. BUDGET, PRECEPT AND RESERVES

*Internal audit requirement*

The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.

*Audit findings*

The Council set a precept of £615,241.66 for 2024-25.

At the January 2024 meeting, the precept was set at £615,241.66 for 2024-25. I am satisfied that the budgeting process is robust based on councillors having access to financial information on an ongoing basis to be able to actively engage in budget setting. It would be useful to state the precept amount in the minutes of the meeting.

There is evidence within the minutes of meetings that detailed financial information is presented to appropriate meetings, and this would appear to support councillors in making informed decisions.



The Joint Panel on Accountability and Governance (JPAG) Practitioner's guide states 'the generally accepted recommendation with regard to the appropriate minimum level of a smaller authority's general reserve is that this should be maintained at between three and twelve months of net revenue expenditure' (para 5.33).

Looking at the cash position of the Council at the time of the audit, I am satisfied that the Council has enough reserves to meet its financial obligations.

## E. INCOME

### Internal audit requirement

Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.

### Audit findings

Apart from the precept, the Council budgets to receive income from other sources such as the market and the renting of property. The precept is the largest income for Downham Market TC for the year 2024-25.

From my review of the Scribe records, income is recorded with sufficient narrative to clearly identify the source, appears to be posted to the correct nominal codes and I found no evidence of 'off-setting' of income against expenditure.

## F. PETTY CASH

### Internal audit requirement

Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.

### Audit findings

Petty cash is not used at Downham Market Town Council.

## G. PAYROLL

### Internal audit requirement

Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.

### Audit findings

Payroll services are carried out internally, and Downham Market Town Council makes the BACS payments for salaries and to the HMRC and the pension provider. There are eight members of staff at Downham Market TC, six full-time, one part-time, and one casual.

I reviewed the salaries file and was able to confirm that based on the tax code information on the pay slips, the deducted amounts appear correct.

I remind the Clerk that only salary, HMRC and pension payments should be included in box 4 on the Annual Governance and Accountability Return (AGAR) and any other staff costs should be recorded in box 6.

## H. ASSETS AND INVESTMENTS

### Internal audit requirement

Asset and investments registers were complete and accurate and properly maintained.

### Audit findings

The Council does not have an adequate fixed asset register in place. A fixed asset register is required which provides a description of the asset, its date of acquisition, and purchase value or proxy cost. There should also an asset register for insurance values.

The register which is posted on the DMTC website for the end of year 2024 does not match the amount on the Accounting Statement.

The Council has four PWLB loans and these are adequately kept track of using a combination of the accounts and PWLB statements.

## I. BANK AND CASH

### *Internal audit requirement*

Periodic and year-end bank account reconciliations were properly carried out.

### Audit findings

The process for bank reconciliations is contained within the council's adopted Financial Regulations.

FR 2.2 states 'On a regular basis, at least once in each quarter, and at each financial year end, a member other than a cheque signatory shall be appointed to verify bank reconciliations (for all accounts) produced by the RFO. The member shall sign the reconciliations and the original bank statements (or similar document) as evidence of verification.

At the November meeting of full council, the bank reconciliation was signed by the Mayor. **I recommend that the wording is improved so that it says that it was approved and signed.**

#### J. YEAR END ACCOUNTS

##### Internal audit requirement

Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded.

##### Audit findings

I can confirm that Downham Market TC are using the correct accounting basis (income & expenditure method) for their accounts.

#### K. LIMITED ASSURANCE REVIEW

##### Internal audit requirement

Not relevant.

##### Audit findings

Not relevant.

#### L: TRANSPARENCY

##### Internal audit requirement

If the authority has an annual turnover not exceeding £25,000, it publishes information on a website / webpage up to date at the time of the internal audit in accordance with the Transparency Code for Smaller Authorities

Audit findings

Though Downham Market TC is above the threshold, it recognises the importance of openness and transparency and consequently publishes information accordingly.

M: EXERCISE OF PUBLIC RIGHTS - INSPECTION OF ACCOUNTS

Internal audit requirement

The authority has demonstrated that during summer 2024 it correctly provided for the exercise of public rights as required by the Accounts and Audit Regulations.

Audit findings

|  |                |
|--|----------------|
| Inspection – key dates                                 | 2023-24 Actual |
| Date AGAR signed by Council                            | 25 June 2024   |
| Date inspection notice issued                          | 28 June 2024   |
| Inspection period begins                               | 1 July 2024    |
| Inspection period ends                                 | 9 August 2024  |
| Correct length (30 working days)                       | Yes            |
| Common period included (first 10 working days of July) | Yes            |

I am satisfied the requirements of this control objective were met for 2023-24, and assertion 4 on the Annual Governance Statement can therefore be signed off by the Council.

N: PUBLICATION REQUIREMENTS

Internal audit requirement

The authority has complied with the publication requirements for 2023-24. Under the Accounts and Audit Regulations 2015, authorities must publish the following information on the authority website / webpage.

Before 1 July 2024 authorities must publish:

- Notice of the period for the exercise of public rights and a declaration that the accounting statements are as yet unaudited
- Section 1 - Annual Governance Statement 2023-24, approved and signed, page 4
- Section 2 - Accounting Statements 2023-24, approved and signed, page 5

Not later than 30 September 2024 authorities must publish:

- Notice of conclusion of audit
- Section 3 - External Auditor Report and Certificate
- Sections 1 and 2 of AGAR including any amendments as a result of the limited assurance review.

It is recommended as best practice, to avoid any potential confusion by local electors and interested parties, that you also publish the Annual Internal Audit Report, page 3.

#### Audit findings

I was able to confirm that the Notice of Public Rights is published on the Council website. However, I was not able to confirm that the Notice of Conclusion of Audit was posted online before 30<sup>th</sup> September 2024 .

#### O. TRUSTEESHIP

Internal audit requirement

Trust funds (including charitable) – The council met its responsibilities as a trustee.

#### Audit findings

The Council has one trust, namely the Howdale Community Association (HCA). The Annual Return is late; however, the HCA is in the process of being closed down and in the previous year's external audit, the external auditor was satisfied that an adequate explanation was provided for non-compliance. This is an ongoing issue which should be resolved in due course by the closure of the HCA.

Achievement of control assertions at interim audit date

Based on the tests conducted during the interim audit, our conclusions on the achievement of the internal control objectives are summarised in the table below. A further review and update of this opinion will be conducted at the final audit.

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|   | INTERNAL CONTROL OBJECTIVE  | Yes | No | Not covered |
|---|---|-----|----|-------------|
| A | Appropriate accounting records have been properly kept throughout the financial year  | Y   |    |             |
| B | This authority complied with its financial regulations, payments were supported by invoices, all expenditure was approved, and VAT was appropriately accounted for.   |     | N  |             |
| C | This authority assesses the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.  |     | N  |             |
| D | The precept or rates requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.   | Y   |    |             |
| E | Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.  | Y   |    |             |
| F | Petty cash payments were properly supported by receipts, all petty cash expenditure was approved, and VAT appropriately accounted for.  |     |    | N/A         |
| G | Salaries to employees and allowances to members were paid in accordance with this authority's approvals, and PAYE and NI requirements were properly applied.  | Y   |    |             |
| H | Asset and investments registers were complete and accurate and properly maintained.   |     | N  |             |
| I | Periodic bank account reconciliations were properly carried out during the year.  | Y   |    |             |
| J | Accounting statements prepared during the year were prepared on the correct accounting basis (receipts and payments or income and expenditure), agreed to the cash book, supported by an adequate audit trail from underlying records and where appropriate debtors and creditors were properly recorded. | Y   |    |             |
| K | If the authority certified itself as exempt from a limited assurance review in 2023-24, it met the exemption criteria and correctly declared itself exempt. (If the authority had a limited assurance review of its 2023-24 AGAR tick "not covered")  |     |    | N/A         |
| L | The authority publishes information on a free to access website/webpage up to date at the time of the internal audit in accordance with any relevant transparency code requirements.  | Y   |    |             |
| M | The authority, during the previous year (2023-24) correctly provided for the period for the exercise of public rights as required by the Accounts and Audit Regulations (evidenced by the notice published on the website and/or authority approved minutes confirming the dates set).                    | Y   |    |             |
| N | The authority has complied with the publication requirements for 2023-24 AGAR.  |     | N  |             |
| O | Trust funds (including charitable) – The council met its responsibilities as a trustee.   |     | N  |             |

Should you have any queries please do not hesitate to contact me.

Yours sincerely

J. Miller, Through Norfolk Association of Local Councils

| Audit Point       | Audit Findings   | Council comments |
|-------------------|--|------------------|
| Agreeing payments | <p>Payments need to be authorised at council meetings and this includes either a payments list of individual invoices being initialled and dated at the meeting and this needs to be minuted. I would advise a payments list for each meeting as this will be easier. However, the councillors should have seen this list at least three clear working days before so they are aware of what they are agreeing to be paid.</p> |                  |
| Making payments   | <p>Your method of payment is wholly unsatisfactory and must include councillors. The procedure you must have is one where, once payments are agreed, they can be inputted to your system and then two councillors will each need to authorise those payments individually.</p>   |                  |
| Risk register     | <p>An updated risk register is required as soon as possible. The traffic lights system you have is fine. This will need to be reviewed at a council meeting and minuted.</p>   |                  |
| Asset register    | <p>An accurate and detailed asset register is required. There should be one version for the AGAR (with cost of purchase or proxy value, as discussed) and one for insurance purposes.</p>  |                  |
| Investment policy | <p>An investment policy would help you manage long term investments.</p>   |                  |
| Income            | <p>Issuing credits, refunds or discounts to customers is dealt with on the income side and should not be inputted into the accounting system as payments.</p>  |                  |

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|                   |   |  |
|-------------------|---|--|
| Expenditure       | Receiving credits, refunds or discounts from suppliers is dealt with on the expenditure side and should not be inputted into the accounting system as income. |  |
| Budget monitoring | This needs to be much more explicit in terms of the activity as well as minuting the activity.  |  |